

10 EXPORT MARKETING CHANNELS: *Some Theoretical Considerations* Matthew Meulenberg

Introduction

In this article, export marketing channels are discussed from a theoretical point of view. There are many studies on export marketing channels, both empirically and theoretically oriented [Bakker, 1980]. It seems to us, however, that their link with general theory of marketing channels is weak [e.g., Stern & El Ansary, 1982]. International marketing, as a subdiscipline of general marketing, might possibly enlarge its understanding of marketing channels by relating general marketing theory to specific features of international marketing.

In applying general marketing theory to export marketing, it will be necessary to establish which features are characteristic for export marketing. The process of international marketing involves the transport of products

The author is indebted to Dr. Cecil Smith for comments and suggestions.

over international boundaries. Some marketing attributes are characteristic of export marketing but not of domestic marketing. A major attribute relates to exchange rates between various currencies and their conversion into acceptable currency for the exporter. Specific and detailed documents, often involving customs brokers and other agents, are required for export marketing. Additional related requirements may pertain to product identification, not required in domestic marketing, on product packages or shipping containers. Often international marketing requires the payment of import duties, thereby raising the effective price to the buyer (or lowering it to the seller, depending on relative bargaining power), and on occasion by quotas and trade regulations, which effectively limit the amount of a commodity that may be sold in a market during a specific time interval. Many international trade transactions involve the financing by a shipper, a bank, or a governmental agency, of the product traded and sometimes the cost of transporting it. In a survey of 122 Dutch food industries in 1980 on exporting to West Germany, 21% of the companies interviewed had export problems with the German Food and Drug Act, 17% with formalities at the border, 16% with transport regulations, 11% with competition, 9% with a different mentality, and 6% with an importing company [NIAM, 1980a]. These results illustrate that it is hard to determine specific variables for export marketing. Nevertheless, such variables are needed if one is to apply the principles of general marketing theory to export marketing. Obviously geographic distance to market is a specific characteristic of an export market. Let us summarize differences between domestic and export market in norms, values, life-style, customs, and laws as the variable cultural distance.

So, the influence of distance to market on export marketing channels will be analyzed. In this paper only, a partial analysis is offered, since the influence on marketing channels of features specific to export marketing is examined. In fact, general marketing characteristics like product type may be ultimately decisive in determining export marketing channels.

The plan of the paper is first to analyze the influence of distance on distribution decisions. This is discussed within the framework of the Dorfman-Steiner model. Afterwards, a more specific qualitative analysis is given of the impact of distance to market on marketing channels. Some major marketing theories on channel formation are reviewed, so that the influence of distance to markets can be viewed in the light of these theories. Finally inferences are drawn that might contribute to our understanding of export marketing channels.

Impact of Distance to Market on Distribution Decisions: A General Treatment

A general model for marketing decision-making with the objective of maximizing profits is the Dorfman-Steiner model [Dorfman & Steiner, 1954]:

$$S = f(P, D, A, Q) \text{ where: } S = \text{amount sold} \quad (10.1)$$

$$C = g(S, Q) \quad \begin{array}{l} P = \text{price} \\ D = \text{distribution expenditure} \end{array} \quad (10.2)$$

$$R = S \cdot P - S \cdot C - D - A = \max! \quad (10.3)$$

$A = \text{advertising expenditure}$

$Q = \text{quality of product}$

$C = \text{production costs per unit}$

$R = \text{profit}$

from which the following profit-maximizing conditions are derived:

$$\epsilon_P = \mu_D = \mu_A = \epsilon_Q \cdot \frac{P}{C} \quad (10.4)$$

$$\text{for } \epsilon_P = \frac{\partial S}{\partial P} \cdot \frac{P}{S}; \mu_D = -\frac{\partial S}{\partial D} \cdot P; \mu_A = -\frac{\partial S}{\partial A} \cdot P; \epsilon_Q = -\frac{\partial S / \partial Q}{\partial C / \partial Q} \cdot \frac{C}{S}$$

Distance to market was proposed as characteristic of export markets. Distance, L , is introduced as an additional variable. In this section, no distinction between cultural and geographic distance is made:

$$S = f(P, D, A, Q, L) \quad (10.5)$$

$$C = g(S, Q) \quad (10.6)$$

Distance to market could influence sales indirectly by impact on distribution effort, D , and advertising, A . Given a specific distance $L = L_0$, profit-maximizing conditions (equation 10.4) remain valid, but their value depends on the specific value L_0 . If distance affects the influence of distribution and advertising on sales, an increase of L_0 to L_1 will affect marketing expenditures according to the values of

$$\frac{\partial^2 S}{\partial D \partial L} \text{ and } \frac{\partial^2 S}{\partial A \partial L}.$$

For instance, if

$$\frac{\partial^2 S}{\partial D \partial L} < 0 \text{ and } \frac{\partial^2 S}{\partial A \partial L} = 0$$

and if a firm aims to maximize profits, this firm will increase advertising expenditure relative to distribution expenditure in a market at distance L_1 as compared with the profit-maximizing expenditures at L_0 , provided that $L_1 > L_0$ and the sales and cost functions remain the same.

In order to be more specific about the effect of distance, let us specify the sales function in more detail. Some alternative specifications will be considered.

Specification 1

$$S = \alpha P^\beta D^{(\gamma + \delta/L)} A^\eta Q^\zeta \quad (10.7)$$

for parameters:

$$\alpha, \gamma, \delta, \eta, \zeta > 0 \text{ and } \beta < 0; L \geq 1$$

$$C = f(S, Q) \quad (10.8)$$

This specification implies that distribution elasticity of sales decreases from $\gamma + \delta$ to γ with increasing distance, L , to the market. The marginal decrease in sales with an increase in L levels off with the square of the distance since

$$\frac{\partial S}{\partial L} = -(\delta/L^2)S \cdot \ln D, \text{ given } P, D, A, \text{ and } Q.$$

Profit-maximizing conditions for market 0, $L = L_0$, are, analogously to equation 10.4, equal to

$$\beta = -\left(\gamma + \frac{\delta}{L_0}\right) \cdot \frac{SP}{D}, \beta = -\eta \frac{SP}{A} \quad (10.9)$$

Assume now another export Market 1 at distance L_1 , $L_1 > L_0$, having the same sales functions as Market 0. On the basis of equations 10.9,

$$\frac{A_i}{D_i} = \frac{\eta}{\gamma + (\delta/L_i)} \text{ for } i = 0, 1 \quad (10.10)$$

under profit maximization.

Consequently, the ratio of A to D will be larger in Market 1 than in 0 if $L_1 > L_0$ and $\alpha, \beta, \gamma, \delta, \eta$, and ζ are the same in both markets. This is in agreement with the fact that distribution functions are spun-off to middlemen, agents, or export houses when distance to market increases. Equation 10.9 also indicates that a producer might try to maximize profit in Market 1 by a decrease of price, P , relative to the profit-maximizing price on Market 0. Obviously the latter strategy makes sense only if $\beta < -1$.

So, under the objective of profit maximization, there will be a tendency to increase advertising expenditure and to decrease price in markets if they are otherwise the same, at greater distance. The conclusion of a price decrease is valid only if demand is elastic in price. Similar specifications, implying a more flexible influence of distance on sales, are, for instance, the same multiplicative sales function having an exponent of the variable D equal to

$$(\gamma + \delta e^{\theta L}) \text{ or } (\gamma + \delta e^{\theta L}) / (1 + \lambda e^{\mu L}),$$

$$\text{for } \theta, \mu < 0, \text{ and } \gamma, \delta, \lambda > 0.$$

Such specifications imply that the distribution elasticity varies between $(\gamma + \delta)$ and γ , respectively, and between $(\gamma + \delta)/(1 + \lambda)$ and γ , for L varying between 0 and ∞ .

Specification 2

Another specification of the sales function is that distance influences sales through distribution and advertising expenditure:

$$S = \alpha P^\beta \cdot D^{(\gamma + \delta/L)} \cdot A^{(\eta + \zeta/L)} \cdot Q^\theta \quad (10.11)$$

$$\text{for: } \alpha, \gamma, \delta, \eta, \zeta, \theta > 0; \beta < 0$$

For $L = L_0$, profit-maximizing conditions, equation 10.4, become

$$\beta = -\left(\gamma + \frac{\delta}{L_0}\right) \cdot \frac{SP}{D} = -\left(\eta + \frac{\zeta}{L_0}\right) \cdot \frac{SP}{A} \quad (10.12)$$

So the ratio of distribution expenditure to advertising expenditure under profit maximization is

$$\frac{D}{A} = \frac{\gamma + \delta/L_0}{\eta + \zeta/L_0} = \frac{\gamma L_0 + \delta}{\eta L_0 + \zeta} = \frac{\gamma}{\eta} + \frac{\delta/\zeta - \gamma/\eta}{(\eta/\zeta) \cdot L_0 + 1} \quad (10.13)$$

With larger values of L , *ceteris paribus*, the profit-maximizing ratio D/A will

decrease if $\delta/\zeta > \gamma/\eta$, in other words, if the ratio of the marginal change of the exponents of distribution, D , and advertising, A , with respect to market distance, L , is larger than the ratio of the asymptotic values, $L \rightarrow \infty$, of these exponents.

The inferences about the impact of distance to market on distribution policy by using the Dorfman-Steiner model are of a general nature. However, our model specification does not offer a precise picture of distribution policy. The following section analyzes export marketing channels by combining general theory on marketing channels with distance of supplier to market, which is considered the specific variable of export marketing.

General Theories of Marketing Channels

To improve our understanding of export marketing channels, let us review some major theories on marketing channels and later apply them to export marketing. According to Mallen [1977], the following decision areas have to be considered about marketing channels: number of functions and type of middlemen, number of levels, number of middlemen at each level, number of channels, and degree of cooperation. Most theories on marketing channels take one or a subset of these decision areas into consideration. Mallen's classification provides a framework to review various theories on marketing channels.

The significance of these decision areas for marketing channels differs with the distribution objectives of a company. Distribution goals might be classified into optimum access to market, minimum distribution costs, and maximum bargaining power. Mallen [1977] distinguishes the objectives of maximizing sales, minimizing costs, maximizing channel goodwill, and maximizing channel control. These objectives will be considered insofar as they have been used explicitly in various theories on marketing channels.

The number of functions (type of middlemen) to be performed is crucial for the structure of marketing channels. The functions are summarized in various ways. Kotler (1980) distinguishes functions dealing with consummating transactions and functions facilitating transactions. Differences in marketing policy, in particular in the type of product, require differences in type and in number of distributive functions. For instance, distributive functions vary with intensive, selective, or exclusive distribution.

Theories or authoritative statements on the relationship between distribution policy and number of functions are scarce. The number of functions and consequently the type of middleman will depend on whether producers

spin off distribution functions. Following Stigler, Mallen [1977] suggests that the cost curve for each function will determine whether a function will be spun-off. Dommermuth & Anderson [1969] classify efficiency improvement in distribution as intrafunctional, “. . . . lowering the cost of performing a particular function while holding output constant,” and interfunctional, “. . . . total expenditure for performance of one function results in a more than offsetting decrease in the total cost of another function.” Such improvements in efficiency may be achieved either by the firm itself (intrafirm) or by arrangement with another firm (interfirm). This spin-off of functions also has relevance for the number of levels in a marketing channel. Mallen [1977] argues that full-service middlemen are more compatible with the objective of minimizing costs or maximizing channel goodwill than limited-function middlemen, while the reverse is true with respect to the objective of maximizing channel control. Aspinwall [1962] related product characteristics to the functions to be performed by a marketing channel; for instance, red goods, with a high replacement rate, low gross margin, low adjustment, short time of consumption, and short searching time, will have intensive distribution. Theories on the evolution of retailing, like the “wheel of retailing” of McNair (1958) and the “simplex, multiplex, omniplex” theory of Regan (1964), stress the evolution of the number of functions during the life cycle of a particular retail institution.

The number of levels in a marketing channel has raised a substantial amount of marketing channel theory. Mallen’s spin-off concept is relevant for the number of levels: if it is profitable for a producer to spin-off a marketing function, the number of levels in the marketing channel may increase. Mallen [1977] argues also that direct channels are more compatible with the objectives of maximizing sales and channel goodwill, or channel control, whereas the objective minimizing costs is more compatible with an indirect channel.

A specific theory on the number of levels in the marketing channel is the minimum-transaction criterion of Alderson [1954]: a middleman will arise between producers and customers, if the number of transactions decreases. Bucklin [1965] argues that delivery time in relation to postponement and speculation governs the choice of indirect or direct channels. With short delivery time, indirect channels give lower distribution costs per unit than direct ones. With long delivery time, the reverse situation holds. Aspinwall [1962] argues that red goods, as defined above, will be preferably distributed through indirect channels. Jackson et al. [1982] observed that the length of marketing channels for industrial products increased when the number of capable middlemen and the number of customers increased, and that this

length decreased when the significance of purchase, the customer volume, the geographic concentration of the market, and the industrial concentration of the market increased.

The number of middlemen at each level of the marketing channel as a decision area of marketing channels has not evoked much marketing theory. Relevant is the distinction between intensive, selective, and exclusive distribution of products, which has obvious consequences for the number of selling points. Mallen [1977] states that the objective of maximizing sales is more compatible with intensive distribution; whereas the objectives of minimizing costs, maximizing channel goodwill and maximizing channel control are more compatible with exclusive distribution. Stern & El Ansary [1982] suggest as a law of marketing: "... the more intensive a product's distribution, the greater the sales that product will achieve in the short run." Mallen [1977] argues that the number of middlemen at a specific level in a marketing channel is related to the ratio of market size and optimum scale of operations of a company.

The number of channels a producer may choose has been discussed in various ways. Quantitative procedures have been proposed to assess the optimum use of marketing channels on the basis of demand and cost functions. For instance, Corstjens & Doyle [1979] used a geometric programming approach. Mallen [1977] asserted that the objectives to minimize costs, maximize channel goodwill, and maximize channel control were more compatible with a single channel; whereas the objective to maximize sales was more compatible with multiple channels. Qualitative contentions about the pros and cons of one or more marketing channels are numerous. Preston & Schramm [1965] mention additional markets and market segmentation on the positive side and loss of markets on the negative side. Potential retaliation and loss of motivation by members of the traditional channels when a producer is expanding the number of channels are other topics that have often been discussed.

A well-established subject in degree of cooperation in marketing channels is the concept of vertical marketing systems, which stresses cooperation between companies at different levels along the marketing channels. According to Mallen [1977], maximum cooperation in a marketing channel is more compatible with the objectives of maximum sales, maximum channel goodwill, and maximum channel control; whereas minimum cooperation is associated more with minimum costs. Stern & El Ansary [1982] have developed a theoretical framework for analyzing power and cooperation in marketing channels. This also seems relevant to cooperation in marketing channels. Another valuable contribution on that matter is the distinction made by Little [1970] between position power ("... involves from the

placement of a firm function or activity in a given structure”) and economic power (“... is ultimately manifest in concentration of capital resources”) in the marketing channel.

Our survey of some major contributions to the general theory of marketing channels demonstrates that there are a few partial theories. Nevertheless, it seems useful to evaluate their meaning for export marketing channels, which will be attempted further in this chapter.

Export Marketing and Marketing Channels

There are many studies on marketing channels in international marketing. For instance, Bakker [1980] reviews studies, especially on channel decisions in relation to entry strategy. Many books on international marketing, like that of Cateora & Hess [1979] have developed classifications of middlemen involved in international trade. Many classifications are based on the extent of control of the marketing channel by the producer, as, for example, is the following:

1. merchant wholesaler in exporting country;
2. merchant wholesaler in importing country;
3. sales agent in exporting country;
4. sales agent in importing country;
5. company sales branch in importing country;
6. direct exports to customers in importing country; and
7. production plant in importing country.

Marketing channels become shorter in the order one to seven. Various authors have formulated criteria for decisions on direct or indirect marketing strategies when entering an export market. They are related to marketing objectives, marketing environment, marketing strategy, and marketing information. Checklists have been developed on the basis of these criteria. Authoritative statements on the structure and development of export marketing channels are scarce. One example is that in which Bakker [1980] contends that a direct entry strategy is more attractive in export marketing than an indirect strategy, in view of marketing objectives, marketing strategy, marketing information, and marketing risk; whereas an indirect strategy is more attractive in view of product assortment and marketing costs. The literature asserts, too, that with increasing sales a company sales branch will become more attractive than a sales agent, if the former has smaller marginal costs than the latter.

A dynamic element of export marketing channels is that the optimum structure changes with the export life cycle. A selling agent might be preferable in the entry period because of lack of market knowledge and because of small amount exported; whereas a company sales branch might be preferable during growth and maturity. Joint distribution programs of exporting companies are institutionalized in various ways, like piggyback, licensing, joint selling, and export combinations. Strong and weak points of these types of cooperation are discussed in textbooks on international marketing. In conclusion, the literature on export marketing channels is pragmatic. General theories on marketing channels have not inspired international marketing a great deal. Are general theories on marketing channels relevant to export marketing? This question will be tackled later in this chapter.

Specific Features of Export Marketing Channels

A specific feature of the environment in export marketing is the great distance to the market, both geographically and culturally. The cultural distance refers to differences in consumer behavior, life-style, norms, and values, and consequently in laws and other regulations, which may hamper the marketing mix as programmed for the domestic market. It is probably also associated with differences in the distributive and competitive structure of the market. Let us confine ourselves to the relationship between distance to market and marketing channel structure in the light of general marketing theory, dealing first with choice of channel in entry strategy and second with the additional factors of order size and order frequency.

Impact of Distance on Export Marketing Channels in the Entry Stage

Number of Functions/Type of Middlemen. For the number of functions and type of middlemen in an export marketing channel, a distinction is needed between cultural distance and geographic distance. The performance of consummating functions will be related in particular to cultural distance and the performance of facilitating functions to geographic distance. Since cultural and geographic distances are not always strongly correlated, let us analyze the following four alternatives:

1. Short cultural distance and short geographic distance;
2. Long cultural distance and short geographic distance;

3. Short cultural distance and long geographic distance;
4. Long cultural distance and long geographic distance.

Clearly, the distinction for short and long distance is not precise. Empirical measurements will not be considered. Non-metric multidimensional scaling might be used for that purpose.

Situation 1. There is not much difference between distribution functions in the domestic market and the export market. So there is no need for a specific export marketing channel, except possibly because of general market characteristics which are not specific for an export market.

Situation 2. Because of the long cultural distance to market, the performance of consummating functions will differ in the export market from that in the domestic market. So, the exporter will have to rely upon special market knowledge. Whether the exporter incorporates this special market knowledge in his or her company or whether he or she relies on a middleman is essentially a matter of costs and of the desired extent of control. For limited amounts exported, the distribution costs per unit and the extent of control will increase in the sequence: exporting wholesaler, importing wholesaler, sales agent, company sales branch. The short geographic distance of producer to market does not cause special problems with facilitating functions. So, if the amount to be exported is small, as an entry strategy an exporter might use a sales agent.

Situation 3. The combination of long geographic distance and small cultural distance calls for special attention to facilitating functions in the channel. Consequently, considerations of cost will determine to what extent export marketing channels will differ from domestic channels. Some physical distribution functions can be spun-off to companies specialized in transport or storage. So the exporter will be inclined to use direct selling, and a sales agent as next best, and to spin-off physical distribution functions to specialized companies.

Situation 4. Long cultural distance and long geographic distance to export markets demand additional capacities in both consummating and facilitating functions. So, they favor the use of specialized wholesalers or export agents for the entry strategy.

Mallen [1977] concluded a special relationship between the number of functions and the marketing objectives of minimizing costs, maximizing goodwill, and maximizing channel control. Long cultural distance to market makes maximization of goodwill and of channel control crucial for profita-

bility. The former objective would, according to Mallen, favor a full-service middleman, the latter a limited-function middleman; increasing cultural distance would have a dual influence on the structure of export marketing channels. A long geographic distance makes the objective of cost minimization crucial in decision making. This objective is, according to Mallen, more compatible with a limited-function middleman. An exporter would spin-off a limited number of functions to middlemen specialized on physical distribution or to a broker.

Number of Levels. The relevance of theories on the number of levels, examined earlier, will be discussed now in relation to marketing channels. Long distance to market advances, *ceteris paribus*, a narrow product assortment by exporters. In distant markets, a company will sell especially those products in which it is well-versed or which well suit the particular needs of those markets. Consequently, selling through middlemen would presumably decrease the number of transactions in comparison with direct marketing by exporters. A middleman can combine the imported product with related products from other exporters or domestic suppliers. In this situation, an alternative is selling by an export combination. So, according to the minimum transaction criterion, longer distance to the market might stimulate indirect marketing channels.

Bucklin's postponement-speculation theory asserts that shorter delivery time stimulates indirect marketing and vice versa. Since a longer distance to market will, *ceteris paribus*, increase the actual delivery time, it will also foster the use of indirect channels.

Long cultural distance to market brings the objectives of maximizing sales and goodwill and creating channel control more to the fore. Large geographic distance will do this for the objective of minimizing costs. Since that latter objective is, according to Mallen, more compatible with indirect channels and the former objectives with direct channels, a long geographic distance to market might foster indirect channels and a long cultural distance a direct one.

On the basis of Aspinwall's theory on product characteristics and marketing channels, it is not clear how distance to the market might influence export marketing channels. For potential customers in a market with a long cultural distance, the characteristic search time might increase, particularly during entry. This would, according to Aspinwall's theory, favor direct marketing.

Our conclusions on the number of levels in export marketing channels, as derived from general marketing theories, are limited. In particular, an opposite working on channel structure of cultural distance and geographic distance stresses the advantage of a functional approach to analyze the number of levels in export marketing channels.

Number of Middlemen at Each Level. There seems no strong relationship between distance to market and number of middlemen at each level. For instance, intensive, selective, or exclusive distribution seem fundamental to a marketing policy for a product, irrespective of the distance to the market.

A long cultural distance to the market may give the export product features of a shopping good or a specialty good, and a large geographic distance may go along with small market shares. Both elements will, at least during entry, stimulate selective distribution.

Cooperation in the Marketing Channel. A long cultural distance to the export market during entry weakens acquaintance with the goodwill of exporters. Consequently, sources of channel power, like identification and legitimacy, will be small. Neither will coercion be an attractive source of power in an entry strategy. Expertise and reward are the most appropriate ones. Also, the feasibility of contracts as a basis of coercive power depends on the reward and expertise that a foreign customer expects from an exporter.

Number of Channels. Choice between single and multiple channels seems fundamental to a marketing policy, and as such it will be made, irrespective of distance to market. Other factors, like type of customer, type of product, and stage of export marketing life cycle will be decisive. If a long distance to export market limits the amount exported, it encourages selective distribution and restricts the number of channels.

Conclusion. The analysis suggests that a long distance to market limits the number of marketing channels, which are preferably indirect, which have a limited number of middlemen at each level, and in which the supplier derives his or her channel power primarily from reward to the importing customer. General marketing theories increase our understanding of export marketing channels to a limited extent only.

Impact of Distance on Marketing Channels: Influence of Order Size and Order Frequency

The preceding section was concerned with a strategy for the marketing channel structure during entry. However, after entering an export market, a company will gradually increase its sales and its knowledge of the export market. The increase will depend on the choice of channel at entry, too. Therefore, decisions about channels should consider planned sales over the total export life cycle.

Order size and order frequency in total sales will change over the export

life cycle. The expected joint effect of distance, order size, and order frequency on the structure of marketing channels is presented in figure 10–1. The impact of long distance to market may be offset by large and frequent orders. So a long distance to the export market will not consistently lead to indirect channels, as has been suggested in the preceding section. In particular, frequent orders will compensate lack of knowledge about the export market. The differentiation in spin-off between consummating and facilitating functions refines the evaluation in figure 10–1 as well.

One may extend the evaluation in figure 10–1 by combining long cultural distance with short geographic distance and vice versa. An additional suggestion on the basis of this extension is that indirect marketing channels are stimulated more by long cultural distance than by long geographic distance. So cultural distance is more fundamental to marketing channel than geographic distance.

Evidence from Dutch Food-Exporting Companies

The discussion of export marketing channels has been theoretical. However, it is interesting to provide some empirical evidence form the Dutch food industry as illustration. A survey in a sample of 102 companies in 1969 showed that indirect marketing channels were of increasing importance with greater distance to the market [NIAM, 1969], in agreement with the conclusions in the two preceding sections.

Table 10–1. Export Marketing Channels of 102 Dutch Food Companies in Various Regions of the World in 1969

Frequency of Type of Marketing Channel in that Country (%)					
Country of Export	Frequency in Sample	Direct to Customers	Company Branch in Importing Country	Sales Agent in Importing Country	Trading Company in Exporting Country
West Germany	71	65	21	39	—
Scandinavia	40	55	5	53	—
North America	35	34	9	66	23
South America	39	28	15	62	23
Asia	40	25	3	48	38

Note: Values add up to more than 100% because of dual distribution by some companies.
Source: NIAM (1969).

D, distance; O, order size; F, frequency; L, long, large; S, short, small; g, geographic; c, cultural

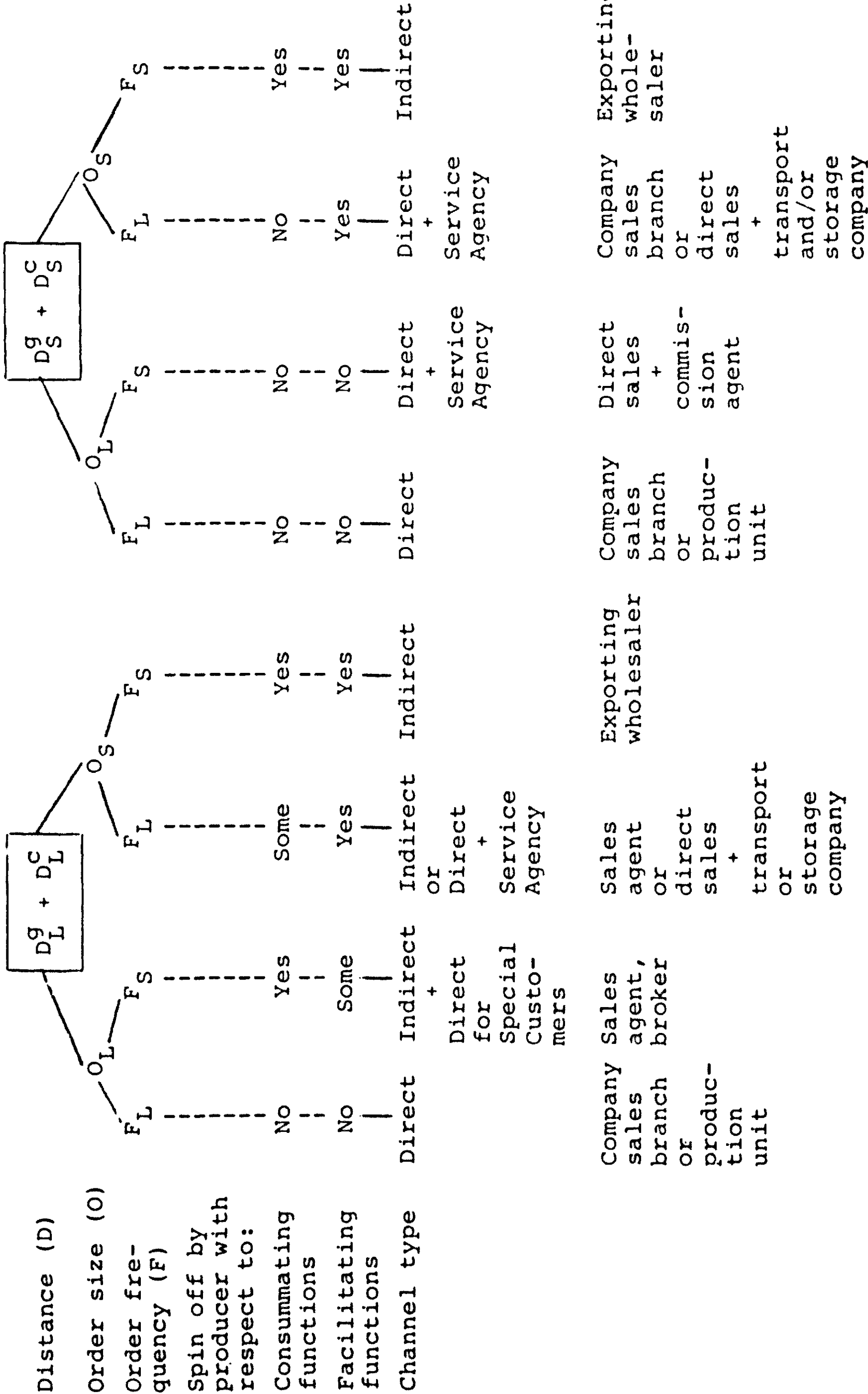


Figure 10-1. Illustration of Joint Influence of Distance to market, Order Size, and Order Frequency on Export Marketing Channels: Qualitative Evaluation

Table 10–2. Frequency (%) of Dominant or Exclusive Marketing Channel for 121 Dutch Food Companies to West Germany in 1980

Marketing Channel	Turnover of Company				
	<10 Million Guilders n = 18	10– <25 Million Guilders n = 19	25– <50 Million Guilders n = 24	50– <100 Million Guilders n = 17	≥100 Million Guilders n = 43
<i>Direct</i>					
direct to customer company branch }	45	37	46	47	59
<i>Indirect</i>					
wholesaler importer agent }	56	52	50	42	39
<i>Others</i>	—	10	4	12	2

Source: NIAM (1980b).

Another survey of 121 Dutch companies in 1980 demonstrated that direct marketing channels in food exports to West Germany increased with the turnover of the company, in agreement with the conclusions in the last section.

Summary and Conclusions

Export marketing channels have been examined on the basis of concepts and theories about marketing channels. The analysis was restricted to the impact of the variable, distance to market, both culturally and geographically. With various assumptions about the impact of distance to the market, the profit-maximizing conditions of the Dorfman-Steiner model provided some conclusions about the trade-off between distribution and advertising efforts. Some major theories on marketing channels and some results of research on international marketing channels were reviewed. Research on international marketing channels seems more empirical than conceptual. General marketing theory indicates that a long distance to market would stimulate indirect marketing channels as an entry strategy. Size and frequency of orders may level off this move towards indirect marketing.

Distance to market needs to be differentiated into cultural and geographic distance. The former seems more crucial to the structure of export marketing channels. It influences in particular consummating functions of the distribution process. Geographic distance influences facilitating functions.

Marketing theory offers only crude insights into the structure of export marketing channels. International marketing will have to elaborate further theory by generalization from empirical studies.

References

- Alderson, W. 1954, "Factors Governing the Development of Marketing Channels." In: Clewett, R. M. (ed.), 1954, *Marketing Channels for Manufactured Products*, R. D. Irwin Inc., Homewood (Ill.), pp. 5–22.
- Aspinwall, L. V. 1962, "The Characteristics of Goods Theory." In: Lazer, W. and Kelley, E. G. (eds.), 1962, *Managerial Marketing Perspectives and Viewpoints*, R. D. Irwin Inc., Homewood (Ill.).
- Bakker, B. A. 1980, *Export en Marketing*. Sansom, Alphen aan de Rijn.
- Bucklin, L. P. 1965, "Postponement, Speculation, and the Structure of Distribution Channels." *Journal of Marketing Research*, 2, (1), pp. 26–31.
- Cateora, P. and Hess, J. M. 1979, *International Marketing*. 4th ed., R. D. Irwin Inc., Homewood (Ill.).
- Corstjens, M. and Doyle, P. 1979, "Channel Optimization in Complex Marketing Systems." *Management Science*, 25, October, pp. 1014–25.
- Dommermuth, W. P. and Andersen, P. C. 1969, "Distribution Systems—Firms, Functions, and Efficiencies." *MSU Business Topics*, Spring 1969, pp. 51–56. Also in Moller, W. G. and Wilemon, D. L. (eds.), 1971, *Marketing Channels, A Systems Viewpoint*, R. D. Irwin Inc., Homewood (Ill.).
- Dorfman, R. and Steiner, P. O. 1954, "Optimal Advertising and Optimal Quality." *American Economic Review*, XLIV (5), pp. 826–45.
- Jackson, D. M., Krampf, R. F. and Konopa, L. J. 1982, "Factors that Influence the Length of Industrial Channels." *Industrial Marketing Management*, 11, pp. 263–68.
- Kotler, P. 1980, *Marketing Management, Analysis, Planning, and Control*. 4th ed., Prentice Hall, Englewood Cliffs.
- Little, R. W. 1970, "The Marketing Channel: Who Should Lead this Extracorporate Organization?" *Journal of Marketing*, 34 (1), pp. 31–38.
- Mallen, B. 1977, *Principles of Marketing Channel Management*. Lexington Books, Lexington (Mass.).
- McNair, M. P. 1958, "Significant Trends and Developments in the Postwar Period." In: Smith, A. B., (ed.), 1958, *Competitive Distribution in a Free, High-Level Economy and Its Implications for the University*, University of Pittsburgh Press, Pittsburgh, pp. 1–25.

- Nederlands Instituut voor Agrarisch Marktonderzoek (NIAM). 1969, *Rapport betreffende een onderzoek naar de instelling van bedrijven in de agrarische sector ten opzichte van exportbevordering*. juni, 's-Gravenhage, Intern Rapport.
- Nederlands Instituut voor Agrarisch Marktonderzoek (NIAM). 1980a, *Moeilijkheden en mogelijkheden i.v.m. export naar West-Duitsland*. oktober, 's-Gravenhage, Intern Rapport.
- Nederlands Instituut voor Agrarisch Marktonderzoek (NIAM). 1980b, *Moeilijkheden en mogelijkheden i.v.m. export naar West-Duitsland*. mei, 's-Gravenhage, Intern Rapport.
- Preston, L. E. and Schramm, A. E., Jr. 1965, "Dual Distribution and Its Impact on Marketing Organization." *California Management Review*, 8 (2), pp. 59–69.
- Regan, W. J. 1964, "The Stages of Retail Development." In: Cox, R. S., Alderson, W. and Shapiro, S. (eds.), 1964, *Theory in Marketing*, 2nd series, R. D. Irwin Inc., Homewood (Ill.).
- Stern, L. W. and El-Ansary, A. I. 1982, *Marketing Channels*. 2nd ed., Prentice Hall, Englewood Cliffs (N.J.).